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Filtering the Noise

I like to take this time of year to review what we have accomplished, which provides a springboard for our new plan for the coming year. The authors of our lead article in this issue state that "a board of directors that can continuously detect signal from noise will be a key driver of strategic success." Are we focused or distracted? Reactive or proactive? Are we focusing on the right things that will make a difference? One thing that stood out to me is how many organizations are emphasizing equity in their definition of quality. We learned from several member organizations how they are integrating equity, diversity, and inclusion into their quality improvement work, organizational culture, and strategy. It is no longer being considered a separate initiative as it becomes woven into the fabric of daily operations. In this post-affirmative action era, we are hopeful that progress on this front can continue to accelerate despite the noise of uncertainty.

Every day, through our partnerships with member organizations across the country, we are reminded of the countless hardworking, passionate healthcare leaders and board members who continue to do everything they can to fulfill their organization's charitable mission—who are detecting signal from noise. We salute you and wish you all a peaceful and introspective holiday season. Cheers!

Kathryn C Peisert

Kathryn C. Peisert,
Editor in Chief & Senior Director

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Lincoln, NE 68508
(877) 712-8778
GovernanceInstitute.com

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Naples, Florida

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Scottsdale, Arizona

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September 8–11, 2024
The Broadmoor
Colorado Springs, Colorado

Please note: Conference expenses paid for by a board member can be claimed as a donation and listed as an itemized deduction on the board member's income tax return. Please consult your tax advisor for more information.

Detecting Signal from Noise: A Critical Governance Competency

By Carly N. Critchfield and Maulik S. Joshi, Meritus Health

Carly N. Critchfield
Administrative Fellow
Meritus Health

Maulik S. Joshi
President and CEO
Meritus Health

Key Board Takeaways

Organizational practices to help boards detect signal from noise include:

- Set goals considering both historical performance *and* comparison to peers.
- Look at aggregate measures of performance and not just individual discrete measures.
- Supersize your long-term goals.
- Make sure everything is connected to your mission and key strategies.

Detecting signal from noise is not a simple task. For the purpose of this article, we are defining "signal" as meaningful information that you're actually trying to detect and "noise" as random or unwanted variation that interferes or hinders with the signal.

Healthcare is full of signals and lots more noise. Health and healthcare are complex and multifactorial so a plethora of noise is no surprise. In thinking about governance, sometimes leadership and boards are mired in the weeds or in specific actions (the "noise") and don't elevate to strategy, implications, and the big picture (the "signals"). It is very easy to get distracted by noise. However, in today's society, possessing a governance competency to know what is a signal that you should pay attention to and what is noise that should not distract you is essential.

Meritus Health is an integrated health system that serves western Maryland, southern Pennsylvania, and the eastern panhandle of West Virginia. With more than 3,200 team members, 600 medical staff, a flagship 327-bed level III trauma medical center, and a 180-member medical group, the mission of Meritus Health is to improve the health of the community. Meritus Health, in an effort to reduce the physician shortage, is seeking licensure and accreditation of a four-year osteopathic medical school, aiming to open in fall of 2025. The challenges and opportunities for Meritus Health are no different than most health systems in America—including challenges from external disruptors, staffing shortages, reimbursement and financial changes, and opportunities in continuous improvement of patient care and experience, among many others.

A board of directors that can continuously detect signal from noise will be a key driver of strategic success. This article provides four examples of applications in detecting signal from noise.

> Possessing a governance competency to know what is a signal that you should pay attention to and what is noise that should not distract you is essential.

1. When Setting Goals, Consider Historical Performance and Where You Stand Compared to Peers

Goal setting is an art and a science. When setting goals for the organization and leadership, consider not just your performance compared to last year, but consider how you compare to peers. You may be improving, but are you improving fast enough if your peers are faster or achieving higher rates of success?

At a system-wide level, Meritus Health is currently constructing a database that will directly contribute to this competency. As the organization sets performance goals, it wants to ensure that internal targets are set appropriately relative to industry peers. For instance, if an organization's 2023 baseline for the percent of patients seen by a provider in fewer than 30 minutes of entering the emergency department was 30 percent, a reasonable goal for 2024 may be to raise that to 35 percent. But wouldn't it be helpful to know that the national average is actually 50 percent?

While it may not ultimately match to where the goal is set, it is important to have an awareness of what to strive for. Having contextual awareness of where the organization and leadership are performing relative to peer groups will not only help each specific organization, but it in turn will help to improve standards across the country. This same concept can be adopted by boards on a more macro level.

2. Look at Aggregate Measures of Performance, Not Just Individual Discrete Measures

Individual measures are those such as rates of surgical site infections or falls with injury. If a board focuses too narrowly on just a few measures, the overall or aggregate outcome may become lost. At Meritus Health, individual measures are reviewed, but focus is also set on overall goals. As an example, for reducing patient harm, Meritus' True North measure is total patient harm, which is a composite of over 20 different patient harms. The health system was reporting more than 70 harms two years ago and is now reporting 60 harms with a larger goal to reach zero by the year 2030. By using an aggregate measure, the board is able to ask questions and discuss quality strategies that get to reducing *all* harm. And "noise" around a single measure does not distract from the overall goal (though it would be expected that leadership addresses these individual quality measures).

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Equitable Healthcare Governance in a Post-Affirmative Action Era

By Somava Saha, M.D., M.S., WE in the World and WIN Network

Many healthcare boards are considering what needs to shift in terms of equitable governance in the context of the recent Supreme Court decision on affirmative action. Can they still focus on equity and racial justice? What does equitable governance look like today?

There are three practices WE in the World recommends boards undertake in the context of this current moment:

1. Deepen the board's literacy of what equitable governance is and advance equitable governance practices.
2. Weave equity processes and structures throughout governance.
3. Get serious about understanding where there is an uneven playing field—and how your own policies and practices might be contributing to that. Then work on leveling the playing field.

This article details each of these steps and what they look like in practice.

Deepen the Board's Literacy of Equitable Governance

Most people who serve on boards are volunteering their time and bring experience that may be important to support different business functions. A few may have expertise in areas such as financing and governance, but most strong boards have a process to assess and deepen the capacity of their members in important areas needed to offer effective governance. If equity is truly an organizational and business priority, ensure you have people on the board who bring deep experience in advancing equity and lived experience of inequities faced by your community. This lived experience will help you make better, more grounded governance decisions. In addition, boards will need to invest in growing the literacy of their board as a whole on why equity should be a business priority—and what equitable governance processes and structures look like.

Weave Equity Processes and Structures throughout Governance

How is equity integrated into your board processes? Is it an afterthought or woven into the fabric of how your board does its work? Equitable governance is about creating the conditions and processes for everyone to be able to contribute in a way that welcomes a diversity of perspectives. Who shares in agenda setting? How are board and committee leadership roles distributed? How do you assess whether people feel their voice and contribution is valued? By applying an equity lens to governance you can create a culture that values diverse voices, helps all board members to feel their contribution matters, and makes the board feel supported and valued. Tools like the Racial Equity Map can also help ensure that power and decision making is shared and every voice is valued.[1]

Get Serious About Leveling the Playing Field

The prevalence of unfair systems, which arise from our legacies of racism, classism, and other forms of injustice are clear. Getting a clear understanding about where the playing field is unfair is a good place to start. You can ask your quality committee to provide more specific data based on outcomes and processes for common groups that experience inequities using race, financial insecurity, etc. In addition, you can get this information using a simple piece of data every healthcare system already has access to: the address. This can help your healthcare system stratify data based on the social vulnerability index of a place—or census tract. Because census tracts often represent areas that were subject to substantial disinvestment or discrimination, they can tell you a lot about which patients are at highest risk of inequities.

And then, dig a little deeper—how does your healthcare system's catchment area relate to the neighborhoods that have the highest social vulnerability? How do your facilities relate to these areas? If your catchment area looks like a gerrymandering map, then you may be introducing structural discrimination by avoiding providing services and community benefits to the areas that need it the most. Look at your policies as well—do you accept Medicaid for example? Does the percentage of people getting elective procedures mirror the percentage of people of different insurances, races, and neighborhoods who are seen in your emergency rooms? If the percentage of marginalized populations is lower, your system may be introducing a structural

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Key Board Takeaways

- Do we have board members with expertise in advancing equity or lived experience of inequities that are prevalent in the communities we serve?
- Would our board benefit from additional education around equitable governance?
- Is equity intentionally integrated into board processes? What have we done to ensure that the board is inclusive and that everyone feels their voice is valued?
- How does the board work with management to identify structural inequities, as well as policies and processes that might be driving inequities, and take action to address them?

1 See "Racial Equity Map," Racial Equity Learning and Action Community, 2020.

The Crucial Role of the Board Chair

By David C. Pate, M.D., J.D.

The chairman of the board of a healthcare organization is not simply an honorific title. In addition to all of the duties and responsibilities of any board member, the board chair must effectively exercise additional duties in that role if the board, CEO, and ultimately, the organization are to be successful.[1] This article addresses some of the board chair's key responsibilities, providing insights from my time as a health system CEO.

Key Board Takeaways

Critical responsibilities of the board chair include:

- **Hiring the CEO:**
  - Ensure there is an updated CEO job description that reflects key qualifications, characteristics, and duties for the next CEO.
  - Prepare for and conduct the CEO search process, including vetting and selecting a search firm, helping develop the process for evaluating candidates, and checking references.
- **Mentoring the CEO:**
  - Educate the CEO about the hospital or health system, board, and the community the organization serves, as well as any noteworthy lessons learned or opportunities missed.
  - Provide introductions to key stakeholders and influential community members or elected leaders whose support is critical to the organization's success.
  - Be a sounding board when challenging issues arise. It is helpful for the CEO to have someone they trust that can help them think through particularly challenging issues that carry significant risk to the organization.
- **Evaluating the CEO:**
  - Work with the chief HR executive to ensure that feedback from all direct reports and stakeholders is considered.
  - Ensure the assessment is robust and clearly measures the CEO's performance in a way that allows for growth and development.
  - Provide detailed post-evaluation feedback, highlighting specific examples of successes and opportunities for improvement.
- **Ensuring good governance:**
  - Charge the relevant committee with assessing whether the board has the skillsets, experience, and diversity needed to effectively lead the organization.
  - Have new board members participate in an orientation and onboarding process.
  - Drive the board self-assessment process and use those results to establish board performance improvement goals.
  - Keep meetings productive and efficient by carefully crafting agendas and meeting materials and fostering engagement.

Hiring the CEO

One of the most important responsibilities of a board is to select the next CEO. The chair must orchestrate the high-level process for finding and hiring a CEO that fits the hospital's or health system's culture and needs.

Refine the position description to reflect today's realities. This process begins with having the outgoing CEO and the board review and update the CEO job description. The chair must ensure that the position description adequately reflects the qualifications, characteristics, and duties for the next CEO that are most important to the board. The healthcare industry is evolving fast and it is likely that there are different competitive pressures in the market since the hiring of the last CEO. In addition, the board has had the opportunity to determine the traits of the last CEO that were most valuable to the organization and those that were deficient but are necessary for the future success of the hospital or health system. In fact, if there are not many redlined changes and additions to the position description, the board chair should take the position description back to the board for further reflection.

Prepare for and conduct the search process. Once the CEO job description is finalized, the chair needs to take the board through a process of answering key questions, such as:

- Are there suitable internal candidates?
- If so, should an external search still be conducted or does the board want to review the internal candidates before engaging a search firm to source external candidates?

(Note: there are situations where a search firm can be a great resource even when considering only internal candidates.)

> The chair must orchestrate the high-level process for finding and hiring a CEO that fits the hospital's or health system's culture and needs.

If an external search is to be conducted, it is important for the chair to lead a discussion with the board as to the criteria that will guide the selection of a search firm and the direction that will be given to the search consultant. For example, are only current CEOs with a track record to be considered, or is the board open to an up-and-comer with demonstrated leadership ability? Would the board consider a CEO of a hospital if they are recruiting for a health system CEO, or a medical group CEO if recruiting for a hospital CEO, etc.? Does the candidate need to come from an organization of a certain size and/or complexity?

The chair will then need to lead the board through the process (most often an RFP) of selecting a search firm, together with the chief HR executive, that should consider which firms are best suited to identify the kinds of candidates the board has decided upon, the extent to which firms are limited in their ability to recruit from organizations that are of interest for the type of candidate desired due to recent candidate placements, and which firms will offer the most value-added services and the most favorable contract terms.

Finally, the chair must help the board, together with the chief HR

1 For a deeper dive into the board chair's responsibilities, see *The Role of the Board Chairperson, Fourth Edition*, Elements of Governance, The Governance Institute, 2022.

executive and the lead search consultant, develop the process to be used to evaluate candidates. This almost always includes the appointment of a search committee. I have found a writing assignment is an excellent selection tool (the future CEO will have to issue many written communications to the employees and external stakeholders). Have finalists give a board presentation on a subject of their or the board's choosing, and answer a set of scenario-based questions that reflect real-life difficult leadership challenges to assess the candidates' critical thinking skills, emotional intelligence, and political awareness. These exercises can be extremely helpful in differentiating candidates at the finalist stage.

Thoroughly check references. Although search consultants often conduct reference checks on finalists, it is always helpful for the board chair to place their own call to the finalist's supervisor, if there is one, and the board chair at their institution.

It is important to compare the references the board chair obtains with those of the search consultant. In addition to obtaining references, the board chair should make additional inquiries as to how best to support and develop the new CEO based upon the current supervisor's and board chair's experience with that leader at their institution.

Leadership Succession Planning

Few organizations do this well. According to The Governance Institute's 2023 Biennial Survey of Hospitals and Healthcare Systems, less than half (43 percent) of boards maintain a written, current CEO and senior executive succession plan. The board and its chair need to ensure that there is a robust process in place that identifies potential internal successors for both planned and unplanned leadership changes, as well as ensures the creation of development plans to assist in readying those potential internal successors.

Mentoring the CEO

The new CEO will need mentoring no matter how experienced the leader is. The board chair can help the new CEO in several ways, including:

- Educate the CEO about the community the organization serves, the values of the organization and the community, and things that are most important to the board.
- Meet with the CEO to review lessons learned or opportunities missed.
- Provide introductions to key stakeholders and influential community members or elected leaders whose support is critical to the organization's success.
- Be a sounding board when challenging issues arise. Even if the CEO has long been established in the role when the board chair assumes his or her role, the issues and challenges the CEO faces are constantly changing and evolving, and the chair should be available to the CEO to help think through particularly challenging management issues that carry significant risk to the organization financially, reputationally, or legally. As a former CEO, I know that sometimes, especially with particularly difficult and complicated issues, I may have a perspective that is too narrowly focused. Although a board chair rarely has the technical expertise, it is amazing how often they help the CEO step back and consider some of the broader ancillary issues and potential impacts, which is incredibly beneficial to the CEO in making a final decision. The board chair must also decide when consultation with the full board is prudent. As a CEO, I always asked myself if the decision I was contemplating were to go wrong, would it likely be picked up by the press and media. If I answered yes, I always consulted with my board chair, and in most cases, with the full board.

The issues and challenges the CEO faces are constantly changing and evolving, and the chair should be available to the CEO to help think through particularly challenging management issues that carry significant risk to the organization.

Evaluating the CEO

While the entire board should be involved in evaluating the CEO's performance, the board chair should work with the chief HR executive to ensure that feedback from all direct reports and stakeholders is considered.

Oftentimes, ratings in generic categories (e.g., "leadership" or "demonstrates the values of the organization") are inadequate to judge the strengths and weaknesses of the CEO, and not particularly helpful, nor amenable to providing

Conflicts of Interest

An important role for the board chair is to review board member's conflict-of-interest questionnaires each year with the director of governance, chief legal officer, or other appropriate persons to be aware of actual and potential conflicts of interest. Although we count on board members to raise conflict issues at the time an issue is brought up, it is helpful for the board chair to also be sensitive to potential conflict issues and to consider in advance how those conflicts will be handled.

the CEO with the detailed feedback that allows for growth and improvement.[2]

After the evaluation, the board chair, and often one or two other board leaders, should meet with the CEO and give very detailed feedback, particularly recalling specific examples to highlight successes and opportunities for improvement. These board leaders can also determine whether they can further help the CEO with mentoring by board members, or whether the CEO would benefit from an executive coach.

Ensuring Good Governance

Board Performance

The board chair should charge the relevant board committee (e.g., nominating committee, board development committee, or governance committee) to conduct a periodic assessment of the range of competencies, experiences, and diversity represented by board members to ensure it reflects the needs for the governance oversight of the organization, especially as reflected by the challenges faced by the organization and the evolution of the industry.

The board chair should also ensure that new board members undergo an adequate orientation and onboarding process and that all members of the board receive continuing governance education and training to ensure that the board exercises good governance practices.

Assessing board performance is key to good governance and the board chair plays a critical role in leading this effort as well. The board chair can help drive the board self-assessment process, as well as individual board member assessments, and use those results to establish board performance improvement goals (ideally, at least every two years).

> The chair must ask whether the board is best served by using valuable board time to listen to reports, or whether board members can review written updates in the board materials so more time can be dedicated to board education, strategic discussions, and/or time with the CEO in executive session.

Tips for Making Meetings More Effective

- Carefully craft and review the meeting agenda—and stick to it.
- Distribute board packets in a timely manner (at least one week before the meeting) and ensure the materials included are the appropriate length and detail.
- Insist that board members come to meetings prepared.
- Ensure that scheduled presenters and presentations are laser-focused on their intended purpose and the associated action as a result.
- Use a consent agenda to avoid redundancy and to keep the meeting moving.
- During discussions, tap into the unique strengths of each board member.

Productive and Efficient Board Meetings

Meetings are where board work gets done and the chair plays a main role in keeping them productive, on track, and engaging. Below are steps for the board chair to take, in partnership with the CEO and governance support person, to ensure meetings are effective.

Review the board agenda format to ensure that the topics reflect where the board should be spending its time. For example, it is not unusual for organizations to have lengthy reports from management to review operational matters and/or from board committee chairs and staff to review past committee meetings. The chair must ask whether the board is best served by using valuable board time to listen to reports, or whether board members can review written updates in the board materials so more time can be dedicated to board education, strategic discussions, and/or time with the CEO in executive session to discuss challenges the CEO is dealing with or advice the CEO might want to solicit from the board.

Outline the board calendar for the upcoming year. The board chair and CEO should discuss new developments in the industry and in their market and determine whether board education is indicated. Doing so allows a discussion as to whether that education can be provided by someone on the CEO's team or whether an outside resource will be needed, allowing the CEO time to make arrangements. The board chair and CEO will also want to identify important strategic topics or issues and plan for their presentation at the appropriate time in the upcoming year. Personally, I always dedicated time at each meeting for at least one, and sometimes, two

2 The Governance Institute's BoardCompass® CEO Performance Evaluation tool can be utilized by members looking for a thorough assessment that will reliably measure your CEO's performance and accountability against recommended performance measures.

discussions relating to strategy or a strategic issue. Outlining a calendar also gives executives significant advance notice as to when they may be expected to give a presentation to the board, so that their presentations are not hastily put together.

I recommend that the board chair and CEO share the draft board calendar with the board to ensure that these are the topics of greatest relevance and importance to board members. Once finalized, the board chair can check in with board members at least semi-annually to make sure they feel that the board is spending the right amount of time on the right topics and issues.

The board chair should press the CEO to ensure that each page of the board book serves an important purpose and is necessary for informing board members or for aiding them in understanding something to be presented at the meeting.

Ensure board materials and presentations are high quality and appropriate in length and detail. Board meetings are only effective when board members have read the board materials in advance of the meeting. Therefore, ask:

- Did we get the board materials out in time (at least a week in advance) so that board members have adequate time to read and reflect on the materials before the board meeting?
- Are the materials the right length and level of detail? One of my favorite quotations is from Blaise Pascal, a French mathematician and philosopher, who wrote, "I have made this longer than usual because I have not had time to make it shorter." The board chair should press the CEO to ensure that each page of the board book serves an important purpose and is necessary for informing board members or for aiding them in understanding something to be presented at the meeting. The board chair should also periodically ask board members whether the board materials are of sufficient quality and whether they contain the right information.

Asking the Right Questions

The board chair should always be raising questions that allow the board to stay ahead of potential controversies and crises. For example:

- What is the union activity in our market? Has our organization conducted a risk assessment and provided leader education and training?
- How advanced is our cybersecurity? Do we conduct regular education and testing of our staff for phishing and other potential threats? Are we using multi-factor authentication? Have we done scenario planning and tabletop exercises?
- Have we updated our pandemic plans based on the lessons learned from the COVID-19 pandemic? Are we doing anything to address failures in the supply chain that occurred during the pandemic? Do we have a plan for temporary expansion of bed capacity and staffing if the next pandemic were to involve children disproportionately, or at least in equal measure to adults?
- Is our strategic planning robust enough? Have we adequately informed our staff and physicians and key stakeholders about our strategy? How are we measuring our progress against the plan's timeline?
- Is our Web site easy to navigate? Are we being sufficiently transparent about pricing? Quality outcomes? Hospital-acquired conditions?
- Are we prepared for a weather emergency? How would we preserve staffing levels?
- Do we have adequate plans to deal with drug shortages?

The board chair should regulate any written materials that staff intend to hand out at the meeting. There are on rare occasions good reason for materials to be handed out at a board meeting. However, all too often, handouts result from staff not meeting deadlines for the board book assembly and distribution. That should not be tolerated. Further, if the materials relate to a matter that will be the subject of a board vote, giving these last-minute documents is disrespectful in that there may not be sufficient time for board members to read the documents prior to the vote. Attempts by board members to hastily read these new materials may require board members to try to do so while a presentation is being made, ensuring that they can give neither their full attention.

The board chair should also work with the CEO to ensure that presentations made to the board are effective. Fewer slides are better and "less is more" when it comes to the slide content. In other words, slides should be clear, ideally making only one or two points per slide, and not jam-packed with

details that make them difficult to read or understand as the presenter is talking and advancing through the slides.

The board chair and CEO need to be the timekeepers to ensure that the board can get through its work; however, it is critical that there is sufficient time for discussion and for board members to ask questions. In fact, the best and most engaging presentations I have participated in are those in which my staff and I ask questions of the board members as we go through the presentation. If every board meeting runs behind schedule, the board chair and CEO need to review to determine whether the board chair is not efficiently managing the time (meetings starting late, board members not returning from breaks on time, etc.) or whether too much information is being crammed into the agenda or insufficient time allotted for board discussion. Then future agendas need to be modified accordingly.

If every board meeting runs behind schedule, the board chair and CEO need to review to determine whether the board chair is not efficiently managing the time or whether too much information is being crammed into the agenda or insufficient time allotted for board discussion.

Foster engaging board meetings. Few, if any, people want to sit through an entire day of PowerPoint presentations or lectures. The board chair should strive to promote discussion, especially for strategic issues.

The board chair should make sure that all board members are participating and engaging throughout the meeting, but not necessarily on every topic. One key method to engage board members is for the board chair to consider individual board members' careers and past experiences, especially as to how topics of current discussion might have been dealt with in other industries. As an example, the banking industry went through significant disruption relative to consumerism and online services long before healthcare, and thus, the board chair might engage a banking executive on the board to offer the board insights on lessons learned in that industry.

Executive sessions, if done right, can be the most engaging part of the board meeting. My board chair and I started and ended our board meetings in executive session:

- Beginning executive session: This is a great way to make sure board members arrive on time! No one wanted to miss these. As CEO, I would bring up topics of interest (new programs, competitive information, concerns, or challenges I was dealing with, new initiatives, restructuring, succession planning, etc.) and the board and I would have very informal discussion. Without staff, some board members who fear asking a "stupid" question feel much more comfortable asking questions. Without staff present, I also feel more at liberty to expound on sensitive issues or information that I am not ready to share more broadly. This was also the time for board members to raise questions about things they have heard from family or friends or read in the press. These are terrific discussions. We never ended early.
- Ending executive session: This was shorter than the initial session. It was an opportunity for board members to ask me questions about presentations earlier in the day that perhaps they did not want to ask in a room filled with staff. It also allowed them to ask questions that might not have occurred to them during the presentation. After finishing answering questions and making any announcements, I would then be excused so that the board could meet in executive session with the board chair alone. I always think this is a good idea because if the board has any feedback or concerns about me, I don't want that to build up; I prefer they bring it to the attention of the board chair in a timely manner. The board chair maintains a position of trust with the CEO by then meeting with the CEO to review any of that feedback, although most of the time, there likely will be none and that part of the meeting may only last for five minutes.

The role of the board chair is unique and critical to the success of the CEO and the organization. A high-performing CEO will welcome the relationship and partnership with the board chair.

The Governance Institute thanks David C. Pate, M.D., J.D., for contributing this article. Dr. Pate retired as President and CEO of St. Luke's Health System (Idaho) in 2020. He is currently chairman of the board of trustees for the Idaho College of Osteopathic Medicine and the coauthor of the recently released book: Preparing for the Next Global Outbreak: A Guide to Planning from the Schoolhouse to the White House. *He can be reached at davidcpatemd@gmail.com.*

Leveraging Board Succession as a Strategic Asset

By Andrew Chastain and Susan Snyder, WittKieffer

Today's healthcare market is simply too complex, unpredictable, and competitive not to have a well-constructed and finely tuned board. Such a board doesn't just happen. It takes time, thoughtfulness, intentionality, some trial and error, and incremental improvement. While strong board succession is not the end of the journey to a high-performing board, it is an essential component. If skipped, the other steps in the journey are much more difficult.

Much is made of the high cost of a bad CEO or executive hire. The consequences of recruiting the wrong (or even the "just-okay") board member can be severe as well, especially when factoring in opportunity costs. The ROI of recruiting the right board member, on the other hand, can be significant. An inspired new member can open the organization's eyes to possibilities it had never even considered. For example, one health system we know places great emphasis on innovation. Its new CEO had much success developing an innovation fund in an earlier organization and wanted to replicate the success. To gain additional support, the board recruited a new member with significant experience investing through venture capital. The new board member provides expertise at the governance level required to balance the risks associated with innovation, adding tremendous value. This is an example of a strategy driving board succession.

Good board succession planning, therefore, is critical as it elevates the likelihood of bringing on directors suited to the organization's needs now and in the future. Board succession sets the stage for good governance and maximizing the organization's potential. It can also have ancillary benefits such as greater leadership stability (especially during crises or leadership transitions) and enhanced board diversity.

In our two recent articles, we emphasized that CEO and broader executive succession planning are a direct extension of organizational strategic planning.[1] Board succession fits within this dynamic. Strategy informs talent decisions while talent then enables strategic implementation. While the board's role is one of oversight and counsel, the CEO and executive team is under-served if members of the board do not bring the experience, insight, and temperament needed for a very different landscape. Board succession, too, is a strategic imperative.

Key Board Takeaways

- As with CEO and executive succession planning, board succession planning is a strategic imperative that benefits the organization in the short term and long run.
- The nominating and governance committee should "always be recruiting," with the support of the CEO (who is typically a committee member).
- A competency/experience grid or matrix is essential for tracking what the board has now, what gaps it needs to fill, and (equally important) when it needs to fill them.
- A measure of bylaw flexibility is important to allow boards to add key competencies or address immediate concerns, while incumbency should not be taken as a given for members who are not contributing satisfactorily.
- Board succession planning dovetails with organization DE&I priorities and can facilitate the diversification of board membership.

Who Leads (and What Is the CEO's Role)?

The responsibility for board succession rests with the governance and nominating committee. The committee's success depends on a clear mandate, the experience and recruiting capabilities of its members, as well as their collective harmony and shared sense of purpose.[2] It must also make board member succession a perpetual topic (i.e., keep it as a fixed item on the agenda). When the governance and nominating committee maintains an ongoing conversation about its pipeline and needs for future members, it exercises its succession muscles and positions itself to educate the broader membership on succession best practices.

The board chair and CEO typically sit on the nominating committee. Many boards wrestle with how much to involve the CEO (and to a lesser extent other C-suite executives) in board member succession and recruitment. It requires a delicate balance. You need the CEO involved in board succession. Who else, after all, has the clearest view on where the organization is and where it needs to go? The CEO's insight is critical to determining what talents are needed on the board. That said, we have all heard horror stories about CEO overreach and inordinate influence over who gets a board seat. In today's healthcare environment, there is no room for members who don't bring significant and specific expertise. It is the board's responsibility to ensure each new member fills a vital function.

1 Andrew Chastain and Susan Snyder, "CEO Succession Planning: A Strategic Journey," The Governance Institute, *BoardRoom Press*, August 2023; Andrew Chastain, Megan Hay, and Susan Snyder, "Executive Succession Planning: Strategic Considerations," The Governance Institute, *BoardRoom Press*, October 2023.

2 Stephen Conmy, "What Is a Nominations Committee?," Corporate Governance Institute.

The Competency Grid

Moving beyond relationships is the first step of board succession and requires a clear perspective on what the board really needs to serve its function, given the organization's strategic context now and in the upcoming years. We recommend building out a comprehensive matrix that includes requisite competencies, capabilities, and experiences.

Regarding experiences, a board may want someone who has, for instance, navigated a financial crisis, successfully led a DE&I program, orchestrated a merger or acquisition, or served in a governmental regulatory role. This need would arise from the organization's anticipated challenges or strategic priorities.

In today's healthcare environment, there is no room for members who don't bring significant and specific expertise. It is the board's responsibility to ensure each new member fills a vital function.

For competencies and capabilities, the most essential today range from strategic planning, financial acumen, and quality and patient safety, to population health, consumer-oriented business expertise, and fundraising.[3] As the healthcare landscape has grown more complex, boards need to understand a myriad of issues driven by a broader definition of the ecosystem (including partnering with private equity-backed commercial healthcare, in addition to relationships with higher education needed for academic medicine, and—for some—extending into life sciences relationships). Depending on your institution's strategy, board composition should prioritize and reflect different elements.

Governance itself can be a needed experience or competency, especially among boards that have struggled with good governance historically. It can make sense to recruit members with experience on reputable boards and a keen understanding of the appropriate relationship between boards and management. *Succession planning*, too, can be a competency that the board can prioritize on its grid if it does not have a strong track record in this area.

Once the grid is drafted, the committee must track *what it has now, what it will need* in the future, and *when it will need it*. This last element, timing, is crucial in determining how to fill gaps. The organization's strategic planning might dictate a need for board competency in, say, artificial intelligence—given the rapid adoption of AI within healthcare today, there is little time to waste. This is likely a grid gap to be recruited for and filled from outside the organization.

Conversely, the shift from fee-for-service to value-based care is an ongoing major transformation that has unfolded like an ocean liner making a years-long change in course. Chances are that an organization's board members have been familiarizing themselves with population health and value-based care principles and practices over the past decade or more and can continue to internalize them in the coming years. This might be considered an area of competence and capability to *develop* first and *recruit for* if needed.

Finding Flexibility

The malleability of the board's bylaws, especially as to membership, often drives whether to develop members to satisfy current matrix items or recruit for them. If the board size is fixed, the nominating and governance committee should begin to scout for individuals with desired skills and experiences as it waits for current members to serve out their terms. An average healthcare board size today is 14 members, with system boards closer to 17 and independent hospital boards nearer to 11.[4] If there is potential for member expansion, then members with needed competencies and experience can roll on without anyone rolling off. If expansion in board size is out of the question, instituting or shortening term limits can serve to generate more frequent turnover. Incumbency should not be a given. Automatically electing board members just because they have not met term limits can limit a board's ability to add the current skills needed.

Bylaw flexibility might also allow for acquiring critical short-term expertise in a member who would not be expected to serve a full board tenure. A classic case where this is needed is a hospital facing an impending merger and enlisting the immediate help of a board member with vast M&A experience. Another situation is one in which a truly exceptional board candidate (a "no-brainer") is available but not wanting to commit to a full tenure.

The board's succession plan must also account for contingencies such as the

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3 Kathryn Peisert and Kayla Wagner, *Think Bold: Looking Forward With a Fresh Governance Mindset*, The Governance Institute's 2023 Biennial Survey of Hospitals and Healthcare Systems.

4 *Ibid.*

Leveraging Board Succession as a Strategic Asset

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sudden departure of a member. In such a case, the board would look immediately to the board grid to identify the skills and qualities it has lost and what it must fill, and whether it requires someone to satisfy a short-term need or can wait to let the natural recruiting process unfold. Resist the temptation to make a hasty decision on someone who doesn't fit the long-term strategic needs or culture of the board.

A note of caution regarding your board grid: don't view it as gospel. As important as it is to find the right competencies, capabilities, and experiences to check all the boxes, guard against the recruitment of subject matter experts who don't have a passion for governance and your organization. Doing so can lead to various forms of dysfunctionality.[5] Never lose sight of the fact that you want exceptional individuals who love to serve. Communicate to candidates: "Your expertise and experiences are deeply appreciated but not the only reason we want you here."

As important as it is to find the right competencies, capabilities, and experiences to check all the boxes, guard against the recruitment of subject matter experts who don't have a passion for governance and your organization.

Thoughts on Diversity

One might argue that a board grid doesn't factor in the need for most boards to increase the diversity and breadth of representation of members. We disagree. The process of board succession planning—which proactively aligns board composition to long-range organizational strategy, including DE&I objectives—will ensure enhanced diversity is a key consideration when conducting recruiting activities.[6] Boards can "operationalize" these goals by prioritizing skillsets (and even demographics) via a well-conceived matrix.[7]

Most strategic plans address the need to reshape their boards, leadership teams, and employee base to mirror their communities. Board succession, too, should prioritize diversity—as well as principles of equity and inclusion. Expertise in DE&I is often a critical competency to develop and recruit for, reflecting the reality that diverse, equitable, and inclusive environments—both in the executive suite and the board—generate more innovative solutions than heterogenous ones.[8]

Always Be Recruiting

Keeping succession planning on the agenda affords the board and governance and nominating committee the opportunity to continually identify and establish a pipeline of potential new members.[9] It also allows the board to:

- **Plan for chair and officer succession.** Succession planning allows for mentoring and grooming of newer members to take on increasingly prominent roles and officer positions.
- **Cast a wider net, given more time and dedicated resources.** The board can go outside its traditional sphere to find members who fill critical needs and competencies that simply might not exist in the local community or region. Again, the board may need to build in more flexibility than it traditionally has in order to, for instance, allow remote members to participate in meetings virtually.
- **Thoughtfully consider compensation.** Healthcare boards are increasingly wrestling with whether to compensate members and how much to offer. Addressing these questions is a component of succession planning.
- **Weigh the merits of hiring recruiters and advisors.** A board may need outside help to do the kind of recruiting and pipeline building it desires.

Transitioning

Briefly, don't forget that a fundamental element of succession planning is coordinating the new member's welcome and transition onto the board. A proper, thoughtful onboarding process ensures the "recruit" feels comfortable around their new peers, acclimates to the board's behavioral norms, and has the needed background and strategic orientation to hit the ground running. New board members tend to dip their toes in the waters in their first few meetings before becoming more active and vocal. But not always, and planned onboarding and mentoring for newly recruited members can help them contribute immediately. In most cases, new members fill an obvious void on the grid and want to ramp up quickly so they can justify their place on the board and earn the respect of their colleagues. Onboarding should prioritize providing in-depth information on current directors, arranging candid conversations with board colleagues, sharing complete, accurate details about the state of the organization, and (for external directors) orchestrating a "day in the life" experience that includes shadowing key executives and staff in their typical routines.[10]

Final Thoughts

Board succession planning provides the board with an opportunity to consider important issues related to its current and future composition. It is not an option but a necessity. The board's succession plan should be reviewed and revised whenever there is a notable strategic update or shift for the organization, promoting alignment between strategy and governance. Most importantly, it keeps the board membership vital, evolving, and passionate so directors serve to the best of their abilities and enable the organization to fulfill its mission and maximize its impact upon patients, communities, and society.

The Governance Institute thanks Andrew Chastain, President and CEO of WittKieffer, and Susan Snyder, Executive Partner for WittKieffer's Leadership Advisory solution, for contributing this article. They can be reached at andrewc@wittkieffer.com and ssnyder@wittkieffer.com.

5 Alex Counts, "Spotting and Fixing Dysfunctional Nonprofit Boards," *Stanford Social Innovation Review*, October 5, 2020.
6 Maria Moats and Paul DeNicola, "You Say You Want a More Diverse Board. Here's How to Make It Happen," *Harvard Business Review*, March 11, 2021.
7 The Academy and WittKieffer, "Governance & Executive Leadership Trends Across Leading Health Systems," 2021.
8 Stephanie Creary, et al., "When and Why Diversity Improves Your Board's Performance," *Harvard Business Review*, March 27, 2019.
9 BoardSource, "Leading with Intent," June 2021.
10 Forbes Business Council, "15 Essential Steps When Onboarding a New Board Member," *Forbes*, October 3, 2023.

Detecting Signal from Noise...
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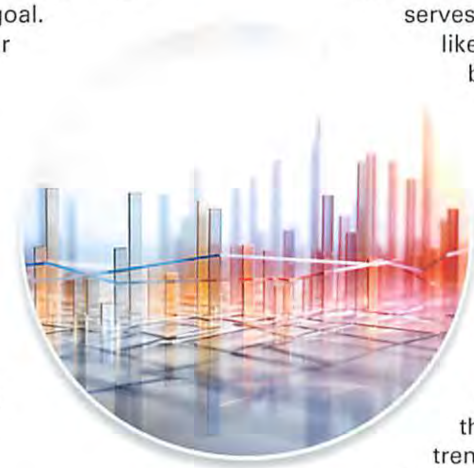
3. Make Sure Long-Term Goals Are Supersized

Goals serve as artificial floors and ceilings. When you think long term—five years in the future or longer—think big. By supersizing them, you will strive for big changes and more likely think redesign, restructure, and reimagine, rather than incremental improvement.

The foundation of the academic building that will serve the proposed Meritus School of Osteopathic Medicine is being poured as this article is written, and while the school is still two years from welcoming its first class, its board and leadership team regularly facilitate discussions regarding the future of the school and the health system as they transition further into being a learning organization.

By using an aggregate measure, the board is able to ask questions and discuss quality strategies that get to reducing *all* harm. And "noise" around a single measure does not distract from the overall goal.

An osteopathic medical school connected to a mid-sized, independent hospital in a somewhat rural area is a truly supersized goal. It would have been far easier for the board to steer away from this substantial investment of capital, resources, and time when the idea was initially proposed by Meritus Health senior leadership, but the commitment to long-term thinking helped this ambition become a reality.



4. Connect Everything to Your Mission and Key Strategies

It may go without saying, but make sure your board agendas and meaningful discussions are connected back to your strategy. As the sole healthcare provider in Washington County, it only makes sense that "community obsessed" is among Meritus Health's values. The pursuit of a medical school, service-line expansions, partnerships, and investments are driven by the needs of the community Meritus Health serves. Keeping key drivers like this at the core of board meetings and other decision-making forums is critical for a truly effective board culture.

For example, your organization may have new competitors in your market and your leadership team should address this environmental trend. As a board, the signal is not to focus on the specifics of the new entrants, but on why and how they impact your strategy. Are new entrants coming in because they are providing better access, a new service, or a better product? How do you address this? The key is to always go back to the mission, your core strategies, and your major measures of success connected to those elements. Deviation from those major elements are signals you need to consider and adjust.

Just like the challenges, these lessons and actions are not specific to Meritus Health. The adoption of this competency of being able to detect signal from noise has allowed the organization to excel forward and create substantial positive impact in our community, despite challenges felt nationally and locally.

The competency of detecting signal from noise is the difference between boards bogged down by the day-to-day and those that can think strategically; it is the difference between effective boards that push the organization forward, and those that are comfortable with stagnation and the status quo.

The Governance Institute thanks Carly N. Critchfield, Administrative Fellow, Meritus Health, and Maulik S. Joshi, President and CEO, Meritus Health and proposed Meritus School of Osteopathic Medicine, for contributing this article. They can be reached at carly.critchfield@meritushealth.com and maulik.joshi@meritushealth.com.

Equitable Healthcare Governance...

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bias. Increasingly, areas of structural discrimination are visible using publicly available data—and could make your system vulnerable. U.S. News and World Report recently introduced a measure of this type of structural bias into its rankings of healthcare systems and found substantial indication that there were statistically significant differences between systems that were advancing equity—and those that weren't.

Once you have identified an area of structural inequity, do something about it. Acknowledge the harm and look into the policies and processes that might be driving inequities—and change them in partnership with those who may have experienced harm. Then think proactively about how you can align money you might already be planning to spend in hiring, purchasing, investing, policy education, etc. to level the playing field. As one of the largest employers in your region, how you spend your resources—and where—matters in correcting systemic inequities.

You won't be alone—over 65 leading health systems across the nation, reaching hundreds of millions of people, are currently engaged in the Healthcare Anchor Network to do exactly this.[2] They have not let the recent affirmative action decision stand in their way. Some have simply bought legal insurance. Others have worked hand in hand with policymakers to help people see that equity and health and economy are connected. Together, they represent a force for healing and restoration in our nation.

What Do These Steps Look Like in Practice?

One board we worked with realized that their community benefit spend was mostly focused on the large city right around them and focused on short-term responses to people who kept being in harm's way. They largely left the large rural region that was in their catchment area behind. Their board was mission-driven, but mainly responded to requests from community members they knew rather than engaging with the community in a strategic way to assess what was needed or to drive outcomes for the short, medium, and long term. This resulted in some good initiatives but was driven by those who had the privilege of access to a board member.

In addition, only one member of the board reflected the community and had significant lived experience in the places where the greatest inequities occurred. As a result, they had blind spots about what would help people in the places that were experiencing the greatest inequities.

When they stepped back and reflected, they realized they had spent significant resources over decades in the community, but much of it was small investments that were passion projects—and not strategically made with an eye toward improving health outcomes like all the rest of their work. As a result, health and poverty had worsened under their watch.

Rather than shrinking away from the problem, they leaned in and underwent an internal cultural transformation from the level of the board to every part of the organization. Using a framework called Pathways to Population Health Equity, they began investing more of their funds upstream, with a focus on creating vital community conditions throughout their catchment area, and began working on policies and investments that could grow jobs and infrastructure in communities in the south of the state that had been most marginalized—creating health, jobs, and hope together.[3] Rather than making their community investment decisions alone, they strengthened their grantmaking processes and began to invest in building community councils in each of these areas. These councils, which brought deep experience of their community, could propose what projects would best serve their communities. These councils expanded equitable governance in a way that shared power and began to develop a pipeline of future leaders who could bring their community expertise to create more equitable change for the long term.

The Governance Institute thanks Somava Saha, M.D., M.S., President and CEO, Well-Being and Equity (WE) in the World, and Executive Lead, Well-Being In the Nation (WIN) Network, for contributing this article. She can be reached at somava.saha@weintheworld.org.

2 See https://healthcareanchor.network.
3 For more on Pathways to Population Health Equity, see www.publichealthequity.org.

Is Your Hospital...
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asked how much they trust that "the leaders of my organization are honest and transparent," a quarter of respondents chose the option of "very little or no trust." Another quarter indicated only marginal trust. The survey revealed that barely half of physicians trust the patient-related decisions of their leaders and similar results were found when doctors were asked whether their leaders made good business-related decisions in finance and operations. That this distrust was greater among female physicians than their male compatriots should be especially concerning since more women than men now fill our medical school classrooms.

Hospital board members should take note of one particularly jarring finding in this survey. While the trust gap is pervasive, physicians at not-for-profit providers were found to be more skeptical of leadership than those at investor-owned organizations. While there might be several explanations for this finding, physicians may appreciate the clear messaging from leaders of investor-owned organizations whose focus is unequivocally on the financial return to shareholders. Hospital leaders at not-for-profit institutions may seem ingenuous or unfocused when they advocate for greater quality, reliability, patient safety, patient-centered care, attention to social determinants of health, productivity, efficiency, and more all at the same time. When this rhetoric seems at odds with the relentless pressure physicians feel for increased productivity and revenue generation, distrust can quickly escalate.

Proactively Assess and Build Trust

How can board members know if their medical staff is becoming alienated from the hospital management team? A board should not be blindsided by physician votes of no-confidence, although they are often surprised when it happens. Similarly, board members trying to understand why recruitment and retention are suddenly more difficult should not learn at the eleventh hour that doctors do not trust the institution's management team.

The board should be proactive in periodically assessing the level of physician confidence in the organization and its leaders. Of course, the most straightforward way is to ask physicians directly. While surveys of medical staff members can be helpful, already skeptical doctors may simply see this as busy work undertaken so management can look like it cares about physician input. Board members should formally speak to medical staff officers and department chairs to gauge the sentiment of staff doctors. But even more valuable is informal dialogue with unofficial physician leaders and rank-and-file staff members. Soliciting feedback in this way is likely to be perceived as more genuine and it has the advantage of building social capital and informal lines of communication between the board and the physician community.

Building trust where it has eroded is a topic for a future column. However, increased communication and transparency is always an essential part of the solution. Another tactic is engaging more physicians in meaningful leadership opportunities since doctors trust their peers to a much greater extent than management or the board.

The success of a hospital in meeting its mission usually hinges on a strong organizational culture underpinned by trust in its leaders. Earning the trust of physicians should be an ongoing board priority lest its hospital one day finds it has no one to see its patients.

The Governance Institute thanks Todd Sagin, M.D., J.D., President and National Medical Director of Sagin Healthcare Consulting and Governance Institute Advisor, for contributing this article. He can be reached at tsagin@saginhealthcare.com.

Is Your Hospital Losing the Trust of Its Physicians?

By Todd Sagin, M.D., J.D., Sagin Healthcare Consulting

A strong working relationship between a hospital's medical staff and institutional leaders is critical currency in today's fraught healthcare landscape. If a hospital cannot recruit and retain the physicians necessary to safely staff its various service lines, it does not matter how efficiently it carries out its daily operations or manages its finances. While there has been great attention given to the challenge of maintaining a nursing workforce following the COVID pandemic, a slower moving but even greater challenge is the expanding shortage of physicians.

> While most physicians should see a not-for-profit hospital as a superior employer to private equity groups and insurers, the rapid growth of physician employment by the latter suggests that too many hospitals do not have the confidence of doctors.

The depletion of the physician workforce is driven by multiple factors. Huge numbers of baby boomer physicians are entering their retirement years. Various professional organizations have indicated that as many as a third of practicing physicians may retire by the end of the decade. The pipeline of replacements coming from the nation's residency training programs will not keep up with this attrition. Many physicians are re-evaluating their priorities post-pandemic and are choosing to work part time.

Competition for the remaining pool of physicians has grown fierce. Large numbers of doctors are being recruited into practices owned by insurers and a variety of public and private corporations, many funded by private equity.[1] The Optum division of United Healthcare is presently the country's largest employer of physicians.

Key Board Takeaways

- Trust between physicians and hospital leaders has eroded to an alarming degree at many hospitals.
- This lack of trust is manifesting itself in numerous ways, including difficulty in recruitment and retention of physicians and in accelerating movement of physicians into employment by insurers and private equity-sponsored groups.
- The board should be proactive in assessing the confidence medical staff members have in hospital leadership.
- Direct communication with rank-and-file medical staff members is a best practice for gauging physician trust in organizational leadership.
- No single tactic will restore trust once it is lost or significantly eroded. Consider putting together a task force of physicians and board members to explore ways to restore or strengthen the working relationship between the hospital and its professional community.

Physician Trust in Leadership Is Eroding

To attract and retain physicians, hospitals must provide them with a stimulating and rewarding professional home. There are many tactics for achieving this end, but an essential foundation for creating such an environment is physician trust in hospital leadership. The existence of trust between doctors and hospital administrators allows these parties to work together constructively and creatively to overcome the daunting challenges that appear so formidable in healthcare today. Trust builds confidence and buy-in that creates support for hospital strategic plans and initiatives. It is also a form of social capital that promotes collaboration between hospitals and their clinical practitioners even through setbacks and difficult days.

Board members should be alarmed by indicators that physician trust in hospital leadership is waning in many quarters. Headlines in publications like *Modern Healthcare* periodically note where medical staffs have taken votes of "no-confidence" in hospital CEOs or executive teams. While most physicians should see a not-for-profit hospital as a superior employer to private equity groups and insurers, the rapid growth of physician employment by the latter suggests that too many hospitals do not have the confidence of doctors.

The growth of multi-hospital systems has made many C-suite executives less familiar and accessible to physicians. Corporate offices have become distant from the patient care corridors where doctors work and their inhabitants may seem removed from the day-to-day concerns on the minds of practitioners.

An alarming national physician survey recently performed by Jarrard, Inc. highlights the erosion of confidence in hospital leaders.[2] When physicians were

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1 Data from the American Antitrust Institute shows that from 2012 to 2021, the annual number of practice acquisitions by private equity groups increased six-fold, especially in high-margin specialties. During this time period, the number of metropolitan areas in which a single private equity-backed practice held over 30 percent of market share rose to cover over one-quarter of the country.

2 Jarrard, *Beyond Burnout: Trust, Loyalty, and the Physician Gender Gap*, National Physician Survey, May 2023.